

Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

E
(

Pu
ECO

U.S.

1.9
EC752Pa
Cp. 2

SEPTEMBER 1961

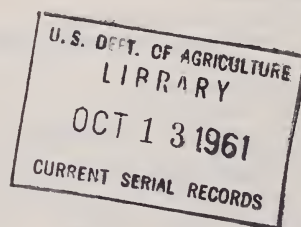
FOR RELEASE

SEPTEMBER 28, A. M.

DPS-81

THE DEMAND AND PRICE SITUATION

COMMODITY HIGHLIGHTS



GENERAL AGRICULTURAL SITUATION

FACTORS AFFECTING DEMAND FOR FARM PRODUCTS

FOREIGN DEVELOPMENTS

CURRENT COMMODITY SITUATION

Published monthly by
ECONOMIC RESEARCH
SERVICE

U.S. DEPARTMENT OF
AGRICULTURE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1950		1951			
		Year	Aug.	May	June	July	Aug.
Industrial production, seasonally adj. <u>1/</u>	1957=100	108	108	108	110	112	113
Final products	do.	111	111	111	113	114	115
Consumer goods	do.	115	115	115	118	119	119
Autos	do.	117	114	101	109	110	110
Equipment, including defense	do.	103	103	102	102	104	106
Materials	do.	106	105	106	109	110	111
Construction: <u>2/ 3/</u>							
Total outlays	Mil. dol.	55,556	55,837	55,892	57,615	58,217	58,286
Public construction	Mil. dol.	15,953	16,363	16,286	16,878	16,907	16,964
Private residential	Mil. dol.	22,546	22,448	21,631	22,680	23,252	23,418
Housing starts, private only	Thousands	1,252	1,355	1,291	1,324	1,247	1,261
Manufacturers' sales and inventories: <u>2/</u>							
Total sales, seasonally adjusted	Mil. dol.	30,417	30,150	30,780	30,900	31,080	
Durable goods	Mil. dol.	14,692	14,420	14,580	14,690	14,830	
Unfilled orders-sales ratio <u>4/</u>		3.17	3.10	2.92	2.91	2.95	
Inventory-sales ratio, total <u>5/</u>		1.77	1.82	1.73	1.73	1.72	
Durable goods		2.10	2.22	2.07	2.06	2.05	
Employment and wages: <u>6/</u>							
Total civilian employment	Millions	66.7	68.3	66.8	68.7	68.5	68.5
Nonagricultural	do.	61.0	61.8	61.2	62.0	62.0	62.2
Unemployment	do.	3.9	3.8	4.8	5.6	5.1	4.5
Workweek in manufacturing	Hours	39.7	39.8	39.7	40.1	40.0	40.1
Hourly earnings in manufacturing	Dollars	2.29	2.27	2.34	2.35	2.35	2.34
Income and spending:							
Personal income <u>2/ 3/</u>	Bil. dol.	402.2	405.2	413.2	417.3	421.2	419.3
Consumer credit outstanding <u>1/</u>	Mil. dol.	56,049	54,092	54,390	54,786	54,687	
Automobile	Mil. dol.	17,866	18,020	17,242	17,358	17,358	
Total retail sales, seasonally adj. <u>2/</u>	Mil. dol.	18,319	18,118	17,995	18,199	18,069	18,116
Durable goods	Mil. dol.	5,928	5,662	5,549	5,586	5,541	5,517
Inventory-sales ratio <u>5/</u>		1.39	1.38	1.36	1.35	1.37	
Prices: <u>6/</u>							
Wholesale prices, all commodities	1947-49=100	120	119	119	118	119	119
Commodities other than farm and food	do.	128	128	128	127	127	127
Farm products	do.	89	87	87	85	87	89
Foods processed	do.	108	108	108	107	108	108
Consumer price index, all items	do.	126	127	127	128	128	
Food	do.	120	120	121	121	122	
Prices received by farmers <u>7/</u>	1910-14=100	238	234	236	234	237	241
Crops	do.	221	219	230	231	232	229
Livestock and products	do.	253	247	241	236	241	251
Prices paid, interest, taxes and wage rates <u>7/</u>	1910-14=100	299	298	302	300	300	301
Family living items	do.	290	290	291	290	290	290
Production items	do.	265	262	266	265	264	265
Parity ratio <u>7/</u>		80	79	78	78	79	80
Farm income and marketings: <u>7/</u>							
Volume of farm marketings	1947-49=100	133	143	105	120	131	138
Cash receipts from farm marketings	Mil. dol.	34,014	2,992	2,236	2,447	2,714	3,000

Annual data for most of the items for years 1929, 1939, 1941 and 1947-60 appear on page 41 of the April issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates.
4/ Unfilled orders for durables divided by monthly deliveries. 5/ Inventories, book value, end of month, divided by sales. 6/ U. S. Department of Labor. 7/ U. S. Department of Agriculture, Agricultural Marketing Service.

THE DEMAND AND PRICE SITUATION

Approved by the Outlook and Situation Board, September 20, 1961

<u>CONTENTS</u>	
<u>Page</u>	<u>Page</u>
Summary.....	3
Commodity Highlights.....	4
General Agricultural Situation...	5
Factors Affecting Demand for	
Farm Products.....	11
Current Commodity Situation.....	17
Livestock and Products	
Meat Animals.....	17
Dairy Products.....	19
Poultry and Eggs.....	20
Wool.....	21
Current Commodity Situation Cont.	
Crops	
Wheat.....	22
Feed Grains.....	23
Oilseeds, Fats and Oils.....	24
Fruit.....	25
Commercial Vegetables.....	26
Potatoes and Sweetpotatoes..	26
Cotton.....	27
Tobacco.....	29

SUMMARY

General economic activity continued to move upward during July and August. The major forces sustaining the expansion include increased Federal, State, and local spending, a moderate turnaround in capital expenditures by business, more rapid accumulation of business inventories, and a moderate rise in residential construction outlays. Retail sales rose a little in August but consumer spending during the summer tended to lag. With widespread increases in demand, industrial production reached a new record and nonfarm employment registered substantial gains. Unemployment, however, remained close to 7 percent of the civilian labor force. Consumer incomes at a \$419.3 billion annual rate in August were 4 percent above the 1961 low and $3\frac{1}{2}$ percent above a year ago. Urban consumer prices advanced sharply in July, but prices paid by farmers for family living items were unchanged from June to August. Wholesale industrial prices have held steady since the fall of 1960.

In the farm sector of the economy, cash receipts from marketings of farm products during the first 8 months of this year were almost $2\frac{1}{2}$ percent greater than in the same months of last year. Both the volume of marketings and prices received by farmers for farm products were above the levels of last year. Through the first half of 1961 farmers' realized net income exceeded the year-ago rate by about 10 percent.

Sharply improved crop prospects in August now indicate a 1961 total farm output 26 percent larger than the 1947-49 average, and very close to last year's record high. An improved outlook for feed grain and oilseed crops provided most

of the boost, raising prospective crop output this year to 116 percent of the 1947-49 base from last month's estimated 113 percent. The indicated crop output is now about 4 percent below the record level of 1960, reflecting primarily the cut in production of feed grains and wheat. The estimated index of output of livestock and livestock products remained at 132, almost 5 percent higher than a year ago.

COMMODITY HIGHLIGHTS

Red meat production declined in August but the resulting price strength will likely be short-lived as production is turning up. Although the spring pig crop was 7 percent larger than a year earlier, hog slaughter is not expected to exceed a year ago by any significant margin until November.

In the first 8 months of 1961, milk production totaled 1 billion pounds above the same period of 1960, and for the year will likely exceed 1960 by $1\frac{1}{2}$ billion pounds. Milk-feed price relationships continue favorable to dairy-men.

The laying flock on September 1 was 1 percent larger than last year, so monthly egg production for at least the remainder of 1961 will likely exceed a year ago. But, with the number of pullets not yet of laying age on September 1 slightly less than last year, egg prices later in the year may hold relatively steady rather than drop sharply from the season highs.

The opening prices of 1961-62 Australian and South African wool auctions were about the same as at the end of the 1960-61 season, and prices are expected to hold at about current levels for the next month or two.

While feed crop prospects improved in July and August, feed grain production indicated in September totaled 137 million tons, 18 million below the record 1960 output. The carryover into 1962-63 may be about 5 million tons below the record 85 million ton carryover at the beginning of 1961-62, reversing the steady uptrend since 1952.

Oilseed crop prospects improved during August; September 1 conditions point to a record supply of edible fats, oils, and oilseeds during 1961-62, nearly 15 percent above 1960-61. The increase in supply is due mainly to the record soybean crop.

Growing conditions for 1961-crop deciduous fruit were generally favorable during August and early September with total production now expected to be about 8 percent above 1960 and 10 percent larger than average.

Production of fall vegetables for fresh market is expected to be 4 percent smaller than both 1960 and the 1950-59 average. Supplies of fall and winter potatoes will be significantly larger than last year, due to a prospective increase of around a fourth in production in the 9 Western States.

In August the average price for Middling 1-inch cotton at the 14 spot markets was 33.10 cents a pound, compared to the support rate in these markets of 33.34 cents. In August 1960 spot market prices averaged 30.75 cents a pound.

About three-fifths of the 1961 flue-cured tobacco crop was marketed by mid-September; auction prices averaged 63.6 cents per pound, about $4\frac{1}{2}$ cents above a year ago and the highest of record.

GENERAL AGRICULTURAL SITUATION

So far this year the volume of farm marketings and the level of prices received by farmers for farm products have exceeded the year-ago, resulting in cash receipts almost $2\frac{1}{2}$ percent greater than in the first 8 months of 1960. Through the first half of 1961, farmers' realized net income was estimated at a seasonally adjusted annual rate of \$12.6 billion. With the rise in cash receipts and larger Government payments under the new agricultural programs this year, farm income in 1961 will total substantially above the \$11.7 billion net income realized in 1960.

Although farm income rose during 1960, and into 1961, the financial position of farmers at the beginning of 1961 was little different than a year ago. On balance, an increase of \$1.3 billion in farm assets was offset by a corresponding rise in liabilities, so that proprietors' equities at \$180.7 billion on January 1, 1961 were unchanged from that date in 1960. Farmers' equities had risen each year since 1954.

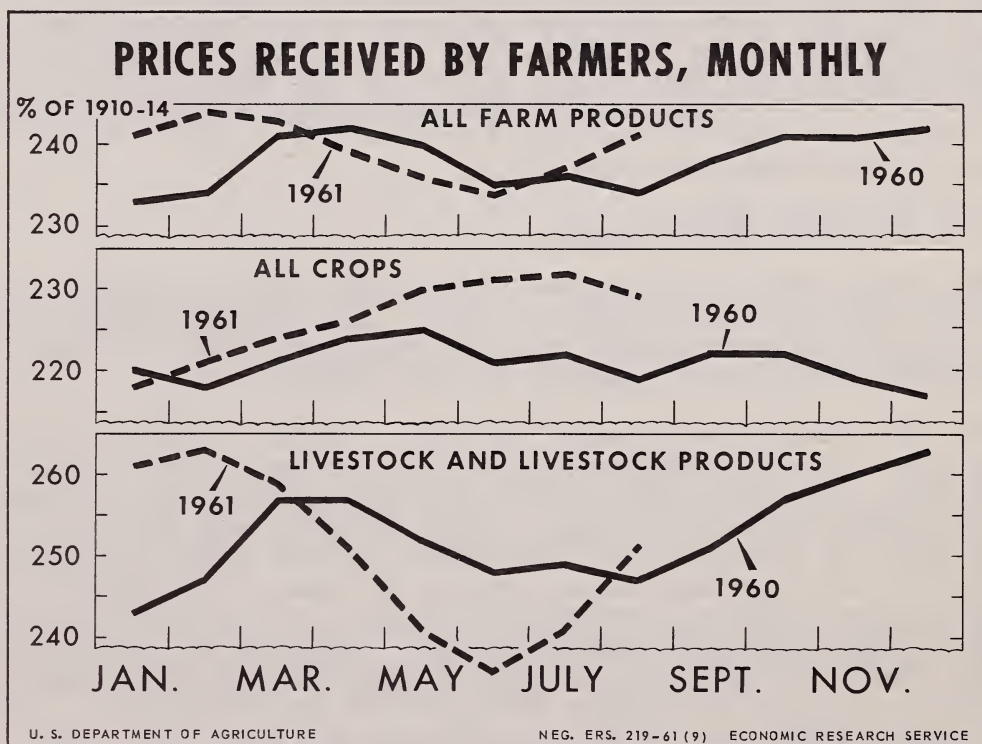
Prices and Marketings Ahead of 1960

Through mid-August of this year, farm product prices averaged 1 percent more than in the same span of months in 1960. Crop prices averaged 2.3 percent higher than during January-August last year while prices for livestock and livestock products were about the same as the year earlier.

With the exception of January, the index of prices received by farmers for all crop items has been higher each month this year than in the corresponding month of 1960, reflecting particularly strong prices for soybeans and some fruits and higher prices for tobacco. Prices received by farmers for soybeans averaged \$2.62 per bushel in the first 8 months of this year compared to \$1.99 per bushel for the same time the year earlier as demand for soybean oil and meal during this period was sufficiently strong to more than offset larger supplies of these commodities than a year ago. The index of tobacco prices received by growers through August averaged almost 5 percent higher than a year ago. Prices to growers for oranges during January-August averaged a little more than 25 percent higher than in the corresponding period of 1960. Production of oranges in the 1960-61 marketing year was 7 percent under 1959-60 and a little more than $3\frac{1}{2}$ percent below the 1949-58 average.

Livestock and product prices through mid-August averaged fractionally higher than in the same months of 1960, though prices averaged lower from April through July. Higher prices for beef cattle, hogs, and milk in mid-August raised the livestock group index above the year-ago level for the first time since March. Compared to average prices in the first 8 months of 1960, prices received by farmers for hogs were 11 percent higher this year; eggs, 8 percent higher; reflecting smaller supplies of these items. Through July of this year, hog slaughter totaled 6 percent less than the year earlier; egg production through August was almost 2 percent below the year ago. Prices received by farmers for wholesale milk averaged 2 percent higher in January-August than a year ago. Although milk production through August totaled a little more than 1 percent greater than in 1960, higher support prices this year have contributed to increased prices for milk.

Marketings of farm products estimated for January through August were almost 2 percent greater than in the first 8 months of 1960. Crop marketings were about the same but marketings of livestock and products were nearly 3 percent larger. The volume of marketings of cattle, chickens, turkeys, and milk exceeded those in January-August 1960.



Cash Receipts Exceed 1960

The higher prices received by farmers and the increase in the volume of marketings yielded farmers cash receipts of \$20.1 billion during the first 8 months of 1961. This was about $2\frac{1}{2}$ percent more than a year earlier. Livestock receipts totaled \$12.4 billion for these 8 months and crops totaled about \$7.7 billion, both up around $2\frac{1}{2}$ percent from the previous year.

Cash receipts from marketings in August were tentatively estimated at \$3.0 billion, about the same as a year earlier. Higher average prices for both crops and livestock, and a small increase in livestock marketings are expected to about offset reduced crop marketings.

1961 Farm Output Close to Last Year's Record

Total output of farm products for 1961 is now expected to be close to last year's record high and 26 percent larger than the 1947-49 average. Much of this output will not be marketed until 1962. Sharply improved crop prospects during August boosted this year's prospective crop output to 116 percent of the 1947-49 base from last month's estimated 113 percent; down about 4 percent from the record of 1960. Livestock and livestock product output in 1961 is expected to total almost 5 percent higher than a year ago.

The impact of the 1961 Feed Grain Program reduced corn for grain acreage 18 percent from last year and the estimated acreage of sorghum grain nearly 30 percent. However, a record yield is expected for both crops and this year's output of feed grains may be down 11 percent from 1960, as indicated by the September 1 Crop Report. Wheat production is now estimated about a tenth below output last year, reflecting drought damage to the spring wheat crop. Partly offsetting the reduced output of grains is a prospective 29 percent rise in soybean production, and larger production of sugar crops and tobacco.

Farmers' Equity Unchanged in 1960

During 1960, the value of farm assets rose by \$1.3 billion to a total of about \$206.1 billion. However, farm debts rose the same amount, so that proprietors' equities were the same on January 1, 1961 as the year earlier, amounting to nearly 88 percent of the value of farm assets.

The increase in the value of farm assets was entirely due to a continued rise in the price of farm real estate, as the total value of non-real-estate farm assets declined during 1960.

More than three-fifths of the rise in farm debt was made up of an increase of \$800 million in outstanding mortgage debt; the fourth largest annual increase since 1910. Non-real-estate loans to farmers increased by about \$500 million.

Table 1.--Comparative balance sheet of agriculture, United States
January 1, selected years 1/

Item	1946	1951	1956	1960	1961	New basis <u>2/</u>	
						1960	1961
	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.
Assets							
Physical assets	87.0	133.5	150.0	184.6	186.0	186.9	188.5
Real-estate	61.0	86.8	102.7	129.1	130.6	134.8	136.5
Non-real-estate	26.0	46.7	47.3	55.5	55.4	52.1	52.0
Financial assets	15.0	16.1	18.0	18.3	18.1	17.9	17.6
Total	<u>102.0</u>	<u>149.6</u>	<u>168.1</u>	<u>202.9</u>	<u>204.1</u>	<u>204.8</u>	<u>206.1</u>
Claims							
Liabilities	8.0	13.1	18.9	24.1	25.4	24.1	25.4
Real-estate debt	4.8	6.1	9.1	12.3	13.1	12.3	13.1
Non-real-estate debt	3.2	7.0	9.8	11.8	12.3	11.8	12.3
Proprietors' equities	<u>94.0</u>	<u>136.5</u>	<u>149.2</u>	<u>178.8</u>	<u>178.7</u>	<u>180.7</u>	<u>180.7</u>
Total	<u>102.0</u>	<u>149.6</u>	<u>168.1</u>	<u>202.9</u>	<u>204.1</u>	<u>204.8</u>	<u>206.1</u>

1/ Data for 48 States only.

2/ Tentative estimates based on revisions in process as a result of the 1959 Census of Agriculture.

Since the end of World War II the value of farm assets has about doubled while total liabilities have more than tripled. As a result proprietors' equities have declined from 92 percent of assets in 1946 to 88 percent at the beginning of this year. During this same period, net farm income declined so that returns on the expanded market values of assets used in agricultural production have trended down. For the period 1955-59, the average return on the market value of productive assets, after an allowance for family labor at hired wage rates, was about 4.4 percent. The return on equity capital (all production assets less amounts and costs of borrowed capital) was about 4.3 percent. For 1960, the corresponding returns were 3.9 and 3.6 percent, respectively.

Consumer Demand for Food Lags

In the first 6 months of this year, per person expenditures for food were unchanged from the year earlier, averaging nearly \$390 per person at a seasonally adjusted annual rate. During this same period, retail prices for food rose 2 percent, so there probably was some small decrease in food use per person. A partial explanation of the apparent slackness in consumer buying may be the lack of rise in consumer income over the last year. Per capita disposable personal income, adjusted for changes in the price level, averaged about \$1,938 in the first six months of 1961 compared with \$1,947 a year ago. With consumer incomes now rising rapidly from the recession low at the beginning of 1961, the demand for food should be strengthened.

Supplementing retail demand were increased domestic food donations by the U. S. Department of Agriculture. Distribution of commodities acquired by USDA in price-support and surplus-removal operations, and made available domestically through the Department's Direct Distribution Program, was 40 percent higher in fiscal year 1961 than in 1960. Distribution to needy persons rose by more than three-fifths, reflecting the increased number of eligibles during the slowdown in economic activity last winter and the start of the Food Stamp Plan Program. Distributions to schools and institutions were up also.

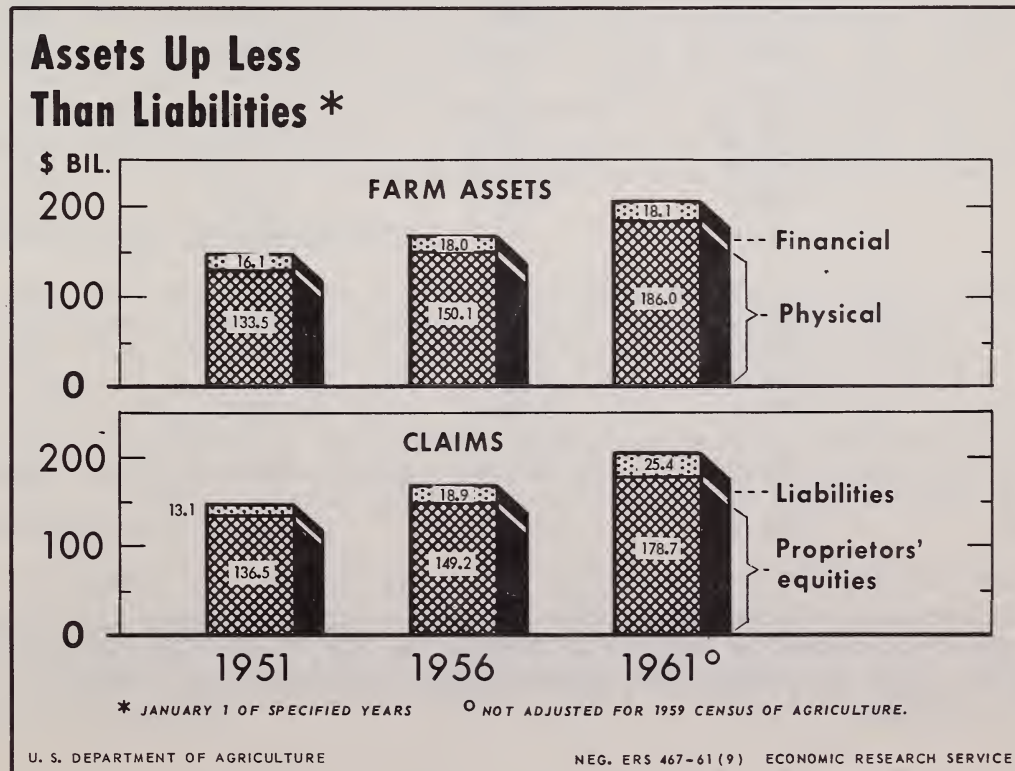


Table 2.--Foods Distributed Domestically under USDA Direct Distribution Program, by major categories, 1936-1961 1/

Year ending June 30	Schools (1)	Institutions (2)	Needy persons (3)	Total domestic (4)
	Million pounds	Million pounds	Million pounds	Million pounds
1936	6.2	25.3	609.4	640.9
1937	4.9	24.0	576.1	605.0
1938	16.8	11.0	1,010.4	1,038.2
1939	28.7	18.9	1,922.4	1,970.0
1940	92.9	27.5	1,667.4	1,787.8
1941	340.8	42.7	2,126.4	2,509.9
1942	454.5	49.0	773.2	1,276.7
1943	278.7	55.0	242.0	575.7
1944	92.8	164.9	24.7	282.4
1945	94.4	101.3	4.3	200.0
1946	76.6	70.5	3.7	150.8
1947	111.2	134.0	5.8	251.0
1948	202.7	174.2	6.0	382.9
1949	218.9	164.1	9.8	392.8
1950	346.5	209.3	45.8	601.6
1951	327.0	192.3	45.5	564.8
1952	98.9	38.9	1.7	139.5
1953	117.0	43.3	.8	161.1
1954	246.0	134.3	37.5	417.8
1955	195.8	95.5	201.2	492.5
1956	264.7	130.0	394.4	789.1
1957	417.6	154.5	489.8	1,061.9
1958	251.8	148.3	471.5	871.6
1959	249.7	156.0	706.8	1,112.5
1960	264.4	127.9	525.0	918.2
1961	284.7	155.4	855.6	1,295.7
Total	5,084.2	2,648.1	12,758.1	20,490.4

1/ Distribution of food commodities acquired by the Government and distributed under provisions of Section 32, Public Law 320, 74th Congress, approved August 24, 1935, as amended, and under Section 416 of the Agricultural Act of 1949, as amended.

Exports Continue at Record Level

Shipments abroad of U. S. farm products in July-August totaled 9 percent larger than a year earlier, continuing the rate of gain registered during the fiscal year that ended June 30, 1961. Increases in the two-month period were mainly in wheat, cotton, tobacco, and livestock products while exports of feed grains, rice, soybeans, and cottonseed and soybean oils declined.

During the July 1960-June 1961 period the Nation's agricultural exports reached a new record--\$4.9 billion--9 percent above the previous year's level and 4 percent above the prior record of 1956-57, when exports were stimulated by the Suez crisis. General indications are that exports of farm products in 1961-62 will continue at or near the record level of 1960-61.

Last year's exports were equivalent to about 14 percent of cash receipts from farm marketings. Export outlets accounted for about half the domestic output of rice, cotton, and wheat; for over two-fifths of the soybeans produced; and for nearly a third of tobacco production.

FACTORS AFFECTING DEMAND FOR FARM PRODUCTS

Most economic trends continued to advance in the summer after taking account of the usual seasonal lull. Plant and equipment spending turned up in July-September and businessmen continued to build up stocks. New orders placed with manufacturers were at a 2-year high. Consumer incomes advanced further in July and August, but purchases of goods tended to lag. Urban consumer prices advanced in July, after overall stability since the fall of 1960. Prices paid by farmers for family living items held steady from June through August.

Capital Spending Rising Moderately

The most recent survey of capital spending plans by business conducted by the Securities and Exchange Commission and the Department of Commerce in late July and August confirms the earlier indications of a moderate pickup in spending in the last half of this year. Capital spending at a \$33.5 billion annual rate in April-June 1961 was about 8 percent below a year earlier. Capital spending is scheduled to rise nearly 4 percent between the April-June and July-September quarters, with a further rise of about 3 percent in the last quarter. For 1961 as a whole, capital spending will likely total \$34.6 billion, 3 percent below a year earlier.

Outlays of all industry groups are expected to rise in the last half of 1961, except transportation firms. Nondurable goods manufacturing and public utilities are expected to show the greatest relative advances during the last half. Outlays of food manufacturing firms are scheduled to rise 17 percent between April-June and October-December; 1961 as a whole will average about 6 percent above 1960.

Table 3.--Expenditures for new plant and equipment, 1960-61 1/
(Quarterly figures, seasonally adjusted at annual rates)

Group	1960				1961				1961			
	: 1960	: 1961	: 2/	: 3/	: 1960	: 1961	: 2/	: 3/	: July-Sept.: Oct.-Dec.	: Apr.-June	: Apr.-June	: 2/
	: Billion	: Billion	: Billion	: Billion	: Billion	: Billion	: Billion	: Billion	: Billion	: Billion	: Billion	: Billion
	: dollars	: dollars	: dollars	: dollars	: dollars	: dollars	: dollars	: dollars	: dollars	: dollars	: dollars	: dollars
Manufacturing	: 14.48	: 13.80	: 14.70	: 13.75	: 13.50	: 13.75	: 14.20	: 13.75	: 13.50	: 13.75	: 14.20	: 13.75
Durable goods industries	: 7.18	: 6.28	: 7.40	: 6.50	: 6.20	: 6.15	: 6.35	: 6.15	: 6.20	: 6.15	: 6.35	: 6.15
Nondurable goods industries	: 7.30	: 7.52	: 7.30	: 7.25	: 7.30	: 7.65	: 7.85	: 7.65	: 7.30	: 7.65	: 7.85	: 7.65
Mining	: .99	: .99	: 1.05	: .95	: 1.00	: .95	: 1.05	: .95	: 1.00	: .95	: 1.05	: .95
Railroad	: 1.03	: .63	: 1.10	: .70	: .70	: .60	: .50	: .60	: .70	: .60	: .50	: .60
Transportation, other than rail	: 1.94	: 1.88	: 2.15	: 1.75	: 1.80	: 2.05	: 1.90	: 2.05	: 1.80	: 2.05	: 1.90	: 2.05
Public utilities	: 5.68	: 5.75	: 5.70	: 5.35	: 5.50	: 5.95	: 6.05	: 5.95	: 5.50	: 5.95	: 6.05	: 5.95
Commercial and other <u>3/</u>	: 11.57	: 11.52	: 11.60	: 11.30	: 11.05	: 11.50	: 12.20	: 11.50	: 11.05	: 11.50	: 12.20	: 11.50
Total	: 35.68	: 34.56	: 36.30	: 33.85	: 33.50	: 34.80	: 35.90	: 34.80	: 33.50	: 34.80	: 35.90	: 34.80

1/ Data exclude expenditures of agricultural business and outlays charged to current account.

2/ Estimates are based on anticipated expenditures reported by business in late July and August 1961.

3/ Includes trade, service, finance, communication and construction.

Note: Details may not add to totals due to rounding.

Securities and Exchange Commission and Department of Commerce.

Construction Outlays Above Year Ago

The volume of new construction in August was at an annual rate of \$58.3 billion, about the same as July, but $4\frac{1}{2}$ percent above both the 1961 low in February and a year ago. Private residential construction accounted for most of the rise in total private construction activity; it was at an annual rate of \$23.4 billion in August compared with a \$20.0 billion rate in February. Private housing starts, which fluctuate considerably from month to month, rose 11.9 percent between January-February and June-July after allowing for usual seasonal changes. Improved consumer income in recent months, easier credit terms, and slightly lower mortgage interest rates are the most important factors responsible for the rise in starts this year. In addition, outlays for public utility facilities and private non-residential buildings (schools, churches, etc.) climbed moderately. Partially offsetting were lower outlays for commercial and industrial buildings. Public construction outlays at a \$17.0 billion annual rate were 3.7 percent above a year ago.

Manufacturers' New Orders at 2-Year High

In July new orders received by manufacturers at \$31.2 billion were fractionally above June and 4 percent above a year ago. Since the 1960-61 recession low in January, new orders have advanced 9 percent. Manufacturers' sales also have rebounded from their winter lows and in July were 3 percent above a year ago. Sales of trade firms have improved moderately since January.

Inventory Buildup Continues

With improvement in sales, inventories began to climb in April. At the end of July the book value of business inventories totaled \$91.8 billion, seasonally adjusted, \$800 million above March, but $\$1\frac{1}{2}$ billion below a year ago. Between June and July stocks rose \$300 million, about half of which was centered in manufacturing firms. Gains were registered in the level of stocks of most lines of retail trade. Since March, the rise in manufacturing and trade sales has been faster than that of inventories, and stock-sales ratios have declined, indicating a generally favorable inventory position.

Manufacturing and trade stock-sales ratios were 1.49 in July compared to 1.51 in March and 1.57 in January. In July 1960 the ratio was 1.53. During August there probably was further accumulation of inventories, after adjusting for seasonal factors, although dealer stocks of new cars declined as production on 1961 cars ended. Businessmen's forecasts reported to the Department of Commerce indicate a rise in manufacturing inventories of about \$1 billion in July-September, pointing toward a continuation of accumulation in July-September at a rate somewhat above April-June.

Table 4.--Inventory-sales ratios of manufacturing and trade firms,
selected months, 1960-61

Group	1960	1961	
	July	January	July p.
	<u>Ratio</u>	<u>Ratio</u>	<u>Ratio</u>
Manufacturing and trade, total	1.53	1.57	1.49
Manufacturing	1.80	1.87	1.72
Durable goods industries	2.18	2.34	2.05
Nondurable goods industries	1.45	1.48	1.43
Wholesale trade	1.06	1.08	1.08
Durable goods	1.57	1.57	1.56
Nondurable goods	.77	.81	.83
Retail trade	1.40	1.42	1.36
Durable goods	2.10	2.17	2.04
Nondurable goods	1.08	1.09	1.09

p. Preliminary.

U. S. Department of Commerce.

Production at Record Level

Industrial production advanced to a new record in July and August. The Federal Reserve Board's index of industrial production, seasonally adjusted, reached 112 (1957=100) in July and moved up in August to 113. The previous index high of 111 was reached in January 1960. Between February and August 1961, the index rose 11 percent, with widespread gains in all industry groups. The sharpest advances, after allowing for seasonal changes, were in iron and steel and motor vehicles, each up over 30 percent. Automobile production in recent months declined as factories were shut for new-model changeovers. Output of chemicals, furniture, fabricated metal products, lumber and other non-metallic building supplies was up between 10 and 20 percent, with machinery, aircraft, textile and other nondurable goods up less than 10 percent.

Table 5.--Industrial production, employment and payrolls,
selected months, seasonally adjusted
(1957 = 100)

Item	:	1960 Aug.	1961	
			Feb.	Aug.
Industrial production, total	:	108	102	113
Manufacturing	:	108	101	113
Durable	:	104	94	108
Nondurable	:	115	111	119
Final products	:	111	107	115
Consumer goods	:	115	110	119
Equipment incl. defense	:	103	100	106
Materials	:	105	98	111
Employment and payrolls:	:			
Nonagricultural, total	:	101.8	99.7	101.9
Manufacturing (production workers):	:			
Employment, total	:	94.2	88.2	92.5
Durable goods	:	91.4	84.4	89.4
Nondurable goods	:	98.1	94.6	96.8
Payrolls <u>1/</u>	:	104.0	96.6	106.2

1/ Not seasonally adjusted.

Federal Reserve Board and Department of Labor.

Nonfarm Jobs Up

With rising national output, there have been substantial gains in employment in nonfarm establishments. Between February and August, employment rose over a million workers, after seasonal adjustment. About half of the increase in nonfarm jobs was in manufacturing, but factory employment was still about 200,000 below a year ago. Government employment rose 150,000 mostly in the educational systems of State and local Governments; the remainder of the job increases were scattered in private nonmanufacturing establishments such as construction, trade and transportation. In addition, average weekly hours of production workers rose after seasonal adjustment from 39.1 in February to 40.0 hours in August. Despite the rise in nonfarm establishment jobs, the unemployment rate has held close to 7 percent of the civilian labor force since January.

Productivity Gains Ease in 1960

Output per manhour in the private economy rose about 2.5 percent in 1960, according to recent estimates of the Bureau of Labor Statistics. The rise in productivity was close to the long-term average (1909-1960) but lower than the postwar average of over 3 percent per year, largely due to the business decline in late 1960. Output per manhour tends to gain less in periods of recession but records larger gains during recovery periods such as 1955 and 1959 when the rise was more than 4 percent. Changes in manhours of production workers and manufacturing production between the first and second quarters of 1961 indicate that productivity has probably picked up in recent months.

Output per manhour in agriculture was up over 6 percent in 1960, about the same average annual increase as for the entire postwar period; farm production climbed while employment declined. Nonagricultural output per manhour rose about 2 percent in 1960, less than the postwar average gain of $2\frac{1}{2}$ percent. Manufacturing output per manhour was up about 2 percent compared with the postwar average of 2.9 percent.

Personal Income Higher

Personal income in August was at an annual rate of \$419.3 billion, 4 percent above the 1961 low last February, and $3\frac{1}{2}$ percent above a year ago. Higher wage and salary income arising from increased industrial activity accounted for much of the rise in income this year. In addition, Government payments for unemployment, social security, and special stepped up National Service Life Insurance dividend payments helped to expand consumer incomes. Personal income on an annual rate basis declined about \$2 billion between July and August, as a sharp drop in transfer payments more than offset moderate payroll gains. Exclusive of the special National Service Life Insurance dividend payments in July, personal income in August rose \$700 million, on a seasonally adjusted annual rate.

Consumer Spending Lags

Although personal income was 4 percent above a year ago, retail sales in August at \$18.1 billion, seasonally adjusted, were about the same as a year ago but a little higher than in July. Sales of durable goods stores in August at \$5.5 billion were about the same as July but 4 percent below a year ago. Dealer sales of new autos in August were 3 percent below July and 15 percent below a year ago. Smaller stocks of new cars, particularly some models, may have held back sales in August 1961. Although trade reports indicate a pickup in household appliance sales in August, retail sales of the furniture and appliance group (unadjusted) in July and August were about 2 percent below a year ago. In April-June retail sales of the furniture and appliance group were 9 percent below a year ago. Retail sales of nondurable goods have changed little over the past year in comparison with substantial gains in other comparable postwar business cycle periods. In August, sales were \$12.6 billion, a little above July and $1\frac{1}{2}$ percent above a year earlier.

Buying Plans Mixed

Consumers buying plans of homes and major durable goods registered some improvement between April and July but they were below a year ago for major household durables and homes, according to the Eleventh Quarterly Survey of Consumer Buying Intentions, conducted by the Bureau of the Census for the Federal Reserve Board, in the third week of July.

The proportion of consumers planning to purchase automobiles in the next 6 months rose between April and July and was slightly above July 1960, but about the same as July 1959. Plans to purchase major household durable goods during the next 6 months remained below the two preceding July surveys. Reported plans to buy homes were about the same as in the three preceding quarterly surveys, but less frequent than in July 1960.

Consumer Credit Declines Moderately

Consumer installment credit outstanding at the end of July totaled \$42.5 billion, about \$400 million above a year ago, but down \$183 million since February. In a comparable business expansion period during 1958, installment credit outstanding dipped \$424 million. Automobile paper was down more than \$600 million between February and the end of July 1961; in a similar period in 1958, the amount of auto paper dropped close to a billion dollars. In the two earlier postwar recovery periods in 1948-49 and 1953-54, consumer credit outstanding expanded rapidly in the early stage of business recovery.

Consumer Prices Rise

Although the cost of rural living items has remained unchanged from June to August, the Consumer Price Index, which had been relatively stable since the last quarter of 1960, advanced sharply in July to 128.1 (1947-49=100), 0.4 percent above June and up 1.2 percent from a year earlier. Between June and July the major part of the advance reflected higher prices for fresh fruit and vegetables, eggs, pork, and milk, but there were small increases in many nonfood items, with services continuing their uptrend. The wholesale price index of industrial products has shown no increase in response to rising demand. The index in August at 127.4 percent of its 1947-49 base was slightly below last spring and August 1960.

CURRENT COMMODITY SITUATION

Livestock and Livestock ProductsMeat Animals

Seasonally low receipts of hogs along with decreased cattle slaughter during most of August resulted in reduced red meat production. Weekly production of red meat for August was about equal to August a year ago but significantly below the high level maintained during the May-July period.

Decreased production of red meat was largely accompanied by across-the-board increases in prices of slaughter livestock during August. However, this period of price strength will likely be short-lived because slaughter of most classes of livestock is turning up seasonally.

The 1961 spring pig crop was reported at 50.5 million head--7 percent larger than the 1960 spring pig crop. However, the impact of the larger spring pig crop likely will be most noticeable in the late fall and early winter period. Little increase in farrowings occurred in the first part of the spring farrowing season, but 91 percent of the increase occurred in April and May. In view of the distribution of this year's spring pig crop, hog slaughter is expected to increase seasonally during October but is not expected to exceed last year by any significant margin until November.

The quarterly Pig Crop Report in September indicated this fall's pig crop may be up a little less than the 3 percent planned in June. Farrowings during June-August in the 10 Corn Belt States reporting were the same as a year earlier but the number of sows intended for farrowing in September-November was 5 percent more than a year ago. These States also reported plans to increase December-February litters by 4 percent, indicating a larger spring pig crop in 1962.

Late July and August rains have eased the severity of drought conditions over much of the West. Emergency assistance to the livestock industry in drought stricken counties also will aid in preventing any serious market glut of livestock this fall due to forced liquidation. CCC-owned feed grains can be purchased for the maintenance of foundation livestock at 75 percent of the 1961 support price, and grazing and haying restrictions on diverted acres have been relaxed in a number of counties.

The first impact of the Canadian drought was reflected in the number of cattle imported from Canada in July. The number of Canadian cattle raised for entry into the U. S. in July totaled 32,867 head this year compared with 8,968 last year. The January-June total this year was 87,902 head, 60 percent of a year earlier. The Canadian Government has instituted an emergency livestock program, "To avoid a heavy liquidation of livestock due to serious shortages of fodder in the drought areas of the Prairie Provinces."

In early September the price spread between the upper and lower grades of fed cattle was narrower than a year before, with the top grades generally below and the lower grades above September 1960 prices. Fed cattle prices are expected to hold relatively close to present levels during the next several months and will likely average a little below prices a year earlier.

As we move closer to the peak stocker-feeder marketing season, prices for these classes of cattle appear to have a firm undertone and seasonal price declines this fall are expected to be small. Available supplies of feeder cattle this fall are probably close to those of last fall, and prospects for relatively stable fed cattle prices next year will lend support to feeder prices. Moisture conditions are favorable for seeding wheat over most of the winter wheat area and the present outlook is for another good year of winter

cereal pastures. The possibility of good wheat pastures is generating a significant demand for light stocker cattle, but the acreage of wheat seeded is expected to be lower this year than last due to the new wheat program.

Dairy Products

While the number of milk cows has been declining since 1944, output per cow has been expanding at an increasing rate. The number of milk cows declined from 25.6 million in June 1944 to 17.4 million head this past June. After declining sharply from mid-1957 to mid-1959, the drop was only about 350,000 head in 1959-60 and 150,000 head in 1960-61. The aggregate consumption of milkfat has exhibited no trend over the past 15 years.

The slackening in the decline in milk cow numbers in 1961 reflects the increases in price supports in September 1960 and again in March 1961, stable prices for feed, and somewhat lower prices for beef cattle.

In the first 8 months of this year, milk production was 1 billion pounds or 1 percent above a year earlier, with output in the last 3 months running 2 percent above the 1960 level. During much of last year and in the early months of this year, milk production per cow had failed to display the 4 percent year-to-year increases that characterized the 1955-1959 period. In recent months, however, the 1955-59 rate of improvement appears to have been reestablished. Milk production in the second half is likely to exceed a year ago by a wider margin than in the first half, and for 1961 as a whole, output will likely exceed last year's 122.9 billion pounds by more than 1.5 billion pounds. Milk-feed price relationships would still be relatively favorable to milk producers, even if there is some rise in feed prices later this year.

A decline in milk utilized for fluid products in January-August, 1961, together with the larger milk production, has resulted in substantially large quantities of milk being channeled into manufactured products. Output of all major dairy products was larger, except that of ice cream, which was down 1 percent. In the first 8 months of 1961, American cheese production was up 17 percent and butter, up 6 percent. Nonfat dry milk output in January through July was 5 percent larger than a year ago.

While production of manufactured dairy products in January-August was above a year earlier, consumption from commercial sources (excluding distribution from CCC supplies) decreased. The reduction in consumption has been mainly in butter. Use of cheese from commercial sources, however, was running above a year earlier. The larger production has been reflected in a much greater buildup in commercial inventories (mainly of cheese) since the beginning of the year than occurred during the same period last year and in substantially larger purchases of dairy products by the CCC for price support. CCC purchases in the first 8 months of 1961 were equivalent to 5.9 billion pounds of milk (milkfat basis), up 2.9 billion from the same period a year earlier.

August prices to milk producers for manufacturing milk averaged \$3.36 per hundredweight compared to \$3.20 in the same month of 1960, an increase of 16 cents. However, the all wholesale price at \$4.19 per hundredweight in August was only 5 cents above 1960. From January through August, manufacturing milk prices have averaged 13 cents above a year ago, while the all wholesale price has averaged only 6 cents higher. The wholesale price for all milk has risen less than manufacturing milk, primarily because of two developments. First, deliveries of milk to fluid milk markets increased more rapidly than fluid sales, and this resulted in virtually no change in the Class I price (price of milk distributed in fluid form). Second, a larger proportion of the total milk production has been utilized in lower-valued manufacturing products.

Poultry and Eggs

Despite seasonally declining supplies and low storage stocks, wholesale egg prices turned downward in late August, and remained in early September somewhat below the summertime peak. Because the low point of production has not yet been reached, some price recovery from the early September level is likely. Also, in view of the slight reduction from last year in the number of new pullets that remain to be added to the National laying flock, prices later in the year may hold relatively steady rather than drop sharply from the season highs. Even though egg prices may hold steady after recovering to August highs, they would likely be below 1960 in the remainder of this year.

In mid-August, the egg price received by farmers averaged 35.0 cents per dozen, up almost a cent from July, and about 1/3 of a cent above August 1960. In 1960, the peak of mid-month egg prices occurred late in the fall, in November, when the U. S. average was 46.1 cents. That price was the highest in 3 years.

The current laying flock -- on September 1, numbering 282 million birds -- is 1 percent larger than year-ago. Through April, this year's hatch of replacement chicks exceeded 1960, and most of the January-through-April chicks are already laying. During the rest of 1961, the maturing pullets will come mostly from May and June hatches, which were below 1960. On September 1, the 108 million pullets not yet of laying age were 1 percent fewer than last year. This suggests that the laying flock from the present time through at least mid-spring 1962 will continue larger than in the year before, though only by a small margin. At least during the fall and early winter, rate of lay per bird is likely also to exceed last year, with the result that monthly egg production in the remainder of 1961 will be somewhat larger than in the same months of 1960.

Broiler prices have continued at the very low levels that began in late May. Since then the mid-month U. S. average prices have ranged between 12.6 and 13.0 cents, about 3 to 5 cents lower than the year before and the lowest monthly prices ever reported. Weekly chick placements covering 22 States have exceeded those of 1960 in every week of 1961 up to date, and no indication of

a cut-back on a U. S. basis was apparent until the week ending September 2, when the number of eggs set in incubators was 2 percent below 1960. This will affect the volume of marketings about late November; but until then, slaughter is likely to average 8 to 10 percent above last year.

The Department of Agriculture on July 19 announced a program to buy young chickens for the National School Lunch Program and on July 31 announced a turkey purchase program also. The turkey purchases are being made from a crop of about 107 million birds, 26 percent more than last year. Part of this increase has already been marketed and even consumed, but stocks in storage and prices at all levels of trade will continue to reflect large supplies. The U. S. average farm price in mid-August was 19.8 cents per pound, down almost 4 cents from August 1960.

Turkeys and turkey hatching eggs have been specified in the Agricultural Act of 1961 as commodities for which Marketing Orders may be instituted, provided that such orders meet with the approval of 2/3 of the producers and other requirements are satisfied. This is the first legislation enabling the inclusion of any poultry item under the Marketing Order procedure.

Wool

The 1961-62 Australian wool auctions opened August 28 with prices even to 5 percent above the July closing of the 1960-61 season. By mid-week prices had eased off moderately to levels approximately the same as at the end of last season. Japan continued to be the dominant buyer in these opening sales with other major interest coming from Western Europe and Australian mills. The South African auctions opened on September 1 with prices at approximately the same level as those prevailing at the close of the 1960-61 season in May. Demand was relatively strong at both auctions. Prices can be expected to hold at about current levels for the next month or two.

Sales activity in the domestic markets has been limited by the small amount of the current clip still in producers hands. With indications of increased Government purchases, those holding wool are waiting to take advantage of any possible increase in wool prices. The average price received by growers for shorn wool during August was 41.2 cents per pound, grease basis, about the same as the 41.3 cents received in July, but 4 percent above the 39.8 cents received in August 1960.

U. S. mill consumption of apparel wool during the first 7 months of 1961 totaled 146.8 million pounds, scoured basis, 2 percent less than a year earlier. The seasonally adjusted average weekly rate of mill use in July 1961 was 4,950,000 pounds, approximately the same as June, but 3 percent more than in July 1960. Carpet wool mill use during the first 7 months of 1961 amounted to 78.6 million pounds, scoured basis, 17 percent less than the same period a year ago. The seasonally adjusted average weekly rate in July was 3,255,000 pounds, 2 percent more than both a month and a year earlier.

Imports of raw wool for mill use during January-July 1961 amounted to 150.5 million pounds clean content, 3 percent more than the same period a year earlier. Dutiable wool imports totaled 54.6 million pounds, duty-free imports amounted to 95.9 million pounds, 12.7 percent more and 1.2 percent less, respectively, than in January-July 1960.

Crops

Wheat

Cash wheat prices have continued to advance to the highest levels for the season to date. This strength in prices results from heavy export buying and the tight holding of wheat by farmers and country elevators; the latter reflects the 21-cent higher support rate for 1962 wheat. Higher prices in July-August have resulted in sales of about 25 million bushels from CCC stocks at the statutory minimum (105 percent of the support rate plus carrying charges). Of the total, 17 million were hard spring and durum, 4 million hard red winter and 4 million soft wheat. Most of the wheat has been from bin sites.

With the smallest supply of durum wheat since 1955 and heavy dollar exports, the price of No. 2 Hard Amber Durum at Minneapolis on September 20, was \$3.40, \$1.22 above the effective support (support rate less storage charges). The price of No. 1 Soft White at Portland at \$2.13 was 21 cents above the effective support, reflecting the smallest supply since 1949 and heavy exports. The price of No. 1 Dark Northern Spring, ordinary protein, at Minneapolis at \$2.27 was 18 cents above the effective support, reflecting a hard spring crop 44 percent below average and the smallest supply since 1954. The price of No. 2 Hard Red Winter, ordinary protein, at Kansas City at \$2.05 and that of No. 2 Soft Red Winter at St. Louis at \$2.04 were 4 cents and 3 cents, respectively, above the effective support, not nearly as high relative to their supports as other classes but high for this early in the marketing year. Hard red winter proteins are commanding substantial premiums because of the low average protein for the crop.

Compared with a year earlier, prices on September 20 for dominant classes and grades were above a year earlier as follows: Hard amber durum, \$1.20; hard spring, 20 cents; soft white, 13 cents; soft red winter, 12 cents and hard red winter, 10 cents.

The September 1 estimate of 1961 wheat production of 1,210 million bushels is only 6 million bushels higher than the previous estimate as of August 1. The total wheat supply for the marketing year which began July 1, 1961 is now estimated at 2,625 million bushels, 2 percent below the record of 2,672 million a year earlier. The carryover July 1, 1961 totaled 1,407 million bushels and imports in 1961-62 may total about the same as the 8 million last year.

Total disappearance for 1961-62 is estimated at 1,269 million bushels. Of this, domestic disappearance is figured at about 594 million bushels, slightly below last year principally because of reduced use of wheat for seed. Exports are estimated at 675 million bushels, slightly above the record 661 million in 1960-61.

On this basis, the total wheat carryover on July 1, 1962 would be about 1,356 million bushels, around 50 million below the July 1, 1961. The decline in stocks would be the first since 1958, when the carryover was only about two-thirds of the projected July 1, 1962 carryover.

Feed Grains

Feed crop prospects improved during July and August as good to excellent growing conditions prevailed over most of the country. Total feed grain production for 1961 was estimated in September at 137 million tons, an increase of 12 million tons over production estimates made in July, but 18 million below the record output in 1960. The 1961 feed grain production is expected to fall short of our total 1961-62 utilization. Carryover of feed grains into 1962-63 may be reduced about 5 million tons below the record 85 million ton carryover at the beginning of 1961-62, reversing the steady upward trend since 1952.

The total supply of feed grains and other concentrates for 1961-62 is estimated at 252 million tons, 7 million tons or 3 percent below the 1960-61 supply. Livestock and poultry numbers are expected to expand a little in 1961-62, but the feeding rate per animal unit may be a little below the record high level reached in 1960-61. The total consumption of feed grains and other concentrates, however, is expected to be close to the high level of the past 2 years.

The corn supply for 1961-62 is now expected to total 5,546 million bushels, 135 million less than in 1960-61 but larger than in any year prior to 1960. The smaller supply is due entirely to reduced acreage, which a little more than offsets larger carryover and higher yield per acre. The 1961 corn for grain crop of 3,520 million bushels is 372 million smaller than last year. While the sorghum grain crop, estimated in September at 480 million bushels, is 21 percent below last year, this was largely offset by the larger carryover and the total supply was only about 1 percent smaller. Supplies of other feed grains also are smaller than last year. The oat supply is down 7 percent and barley 9 percent.

Prices of feed grains probably will average higher this fall and winter than a year earlier. The smaller feed grain crop and higher 1961 price supports, averaging about 16 percent above 1960 levels for the four feed grains, will put an upward pressure on prices. Prices of oats and barley have declined less than seasonally this summer and in August they were higher than the same time last year. The improvement in prospects for the 1961 corn crop during July and August may result in more seasonal weakness in corn prices this fall than was expected earlier in the growing season, but prices are expected to average above the low level reached in the fall of 1960.

Hay supplies are slightly smaller than in 1960-61, both in total and per animal unit. In most areas supplies are adequate for the livestock on farms, but drought has seriously curtailed the growth of hay and other forage crops in the Northern Plains and in areas of the West and Southwest. High-protein feed supplies in 1961-62 probably will be a larger than in 1960-61 as a result of the larger soybean crush in prospect.

Oilseeds, Fats and Oils

Oilseed crop prospects improved further during August so that early September indications point to a record total supply of edible fats, oils, and oilseeds during the 1961-62 marketing year, which begins October 1, of about 16.0 billion pounds (oil equivalent), nearly 15 percent more than the quantity available during the marketing year just ending. The increase in supply is due mainly to the record soybean crop in prospect, although lard and butter supplies will be slightly larger in 1961-62 than a year earlier.

The quantity of food fats and oils available in 1961-62 would permit exports substantially greater than the 3.4 billion pounds (oil equivalent) estimated to have been shipped abroad during 1960-61.

The export outlook for food fats and oils in the 1961-62 marketing year looks bright because sales for dollars plus a large movement of edible oils under government programs are expected to result in a peak outward movement. The USDA announced on September 20, 1961 that 400 million pounds of vegetable oils will be made available through the Food for Peace program during 1962 for distribution among needy people in other nations. Soybean exports are expected to set a new record--up about one-fourth from the 135 million bushels now indicated for 1960-61. Edible oil shipments likewise may climb to a new high--probably at least one half more than the 1.2 billion pounds estimated for 1960-61. Lard exports (including shipments) are expected to approximate the 500 million pound 1960-61 rate. Thus it appears that while growing foreign demand probably will absorb a good portion of the increased 1961-62 output of U.S. fats and oils, a sizeable buildup in our ending stocks on September 30, 1962, likely will occur, mainly in the form of soybeans.

U. S. supplies of soybeans during the marketing year starting October 1, 1961, are estimated at 725 million bushels, up 143 million from the previous year.

Soybean farmers this year are expected to participate considerably more in the CCC price support program than they did last year, when prices were well above support. Prices to farmers during most of the heavy harvesting season this fall probably will average at about the national support rate of \$2.30 per bushel. Last fall when the support price was \$1.85 the price received by growers averaged about \$2.00 per bushel. Both crushings and exports of beans during 1961-62 likely will be record large and probably will require a good part of the increase provided by the 1961 crop, but after allowing for seed and feed requirements will still leave end-of-year carryover (September 30, 1962) up sharply from the 5 million bushels estimated for October 1, 1961, and close to the record 62 million bushels of October 1, 1959.

Cottonseed production in 1961-62, based on the September 1 prospects for cotton, is forecast at 5,911,000 tons, about the same as a year ago. A cottonseed crop this size should yield about 1,825 million pounds of crude cotton oil and about 2,525,000 tons of cake and meal, both products about the same as a year earlier. Prices for cottonseed are likely to average slightly above the 1961 CCC purchase price of \$45.00 per ton, basis grade (100), about 6 percent more than received for the 1960 crop.

The total supply of flaxseed in the 1961-62 marketing year (starting stocks on July 1 plus the 1961 crop) is placed at 26.3 million bushels compared with 33.4 million last year. Crushings of flaxseed for domestic oil use may total around 19 million bushels, slightly less than last year, and another 2 million will be needed for seed. This would leave a mere 5 million bushels available for exports or carryover stocks on July 1, 1962.

Present indications are that exportable supplies of flaxseed (including the seed equivalent of linseed oil) from the 1961 crops in foreign countries may be down substantially from about 55 million bushels of last year. Canada, Argentina, and the United States are the three major exporting countries. Flaxseed acreage in Canada is down 8 percent from 1960 and yields have been reduced due to the intense drought this summer. The Canadian crop report released September 1 estimated production at 14.6 million bushels compared with an output of about 23 million last year. The key to the world situation for flaxseed and linseed oil really rests with Argentina, where new crop supplies become available early in 1962. Plantings in Argentina continued through August and may be up because of higher market prices. Higher production will probably not offset reduced North American production.

Fruit

Grower prices for fresh deciduous fruits marketed in early September varied around the relatively high levels of this period in 1960. Prices for early-season sales of fall and winter apples were about the same as a year earlier, those of Pacific Northwest prunes and Bartlett pears were somewhat lower, and those of peaches and grapes generally higher. Auction market prices for oranges and lemons, of which remaining supplies from the 1960-61 crops were somewhat larger than a year earlier, tended to average below comparable prices in 1960.

Growing conditions for 1961-crop deciduous fruits were generally favorable during August and early September. During August, prospective production of peaches and grapes increased moderately, that of apples remained substantially unchanged, while that of pears declined a little. Indicated 1961 production is above 1960 for nearly all important deciduous crops. Exceptions for which production is below include apricots and cranberries. But supplies of cranberries will again be large. Total production of deciduous fruits in 1961 is now expected to be about 8 percent above 1960 and 10 percent larger than average.

Prospective production of walnuts and pecans also increased during August. Tonnage of each of the four edible tree nuts -- almonds, filberts, pecans, and walnuts -- is estimated larger than in 1960, with combined production expected to set a new record, 19 percent above 1960 and 35 percent above average.

Supplies of fresh citrus fruits, now seasonally light and mostly 1960-61 California fruit, will increase substantially in October as harvest of the 1961-62 Florida and Texas crops gets well underway. The first official forecast of the 1961-62 crops will be released in the October Crop Report. Meanwhile, supplies of Florida frozen orange and grapefruit concentrate continue larger than a year earlier. Those of canned single-strength grapefruit juice also continue larger, but those of canned orange juice and blended grapefruit and orange juice continue smaller.

Commercial Vegetables

Fresh Market -- Early estimates for crops which make up about four-fifths of total fall tonnage indicate that supplies of fresh vegetables for fall harvest are likely to be slightly to moderately smaller than both last year and the 1950-59 average. More early fall snap beans, cabbage, cauliflower, cucumbers and spinach are in prospect from a year earlier. But these increases are more than offset by declines in prospective production of early fall lettuce and tomatoes, and production of fall carrots and celery.

Processing -- Production of vegetables for commercial processing promises to be materially larger this year than last. Production of winter and spring spinach was about the same as last year, while production of green peas was moderately larger. Output of tomatoes, contract cabbage for kraut, and cucumbers for pickles also promise to be moderately larger than last year, and green lima beans, beets, snap beans, and sweet corn substantially larger.

Although stocks of canned vegetables at mid-year were moderately smaller than in mid-1960, the larger pack this year is expected to result in slightly to moderately larger overall supplies than last year. With a larger carryover, and prospects for an increased pack of frozen vegetables, supplies in the current marketing year are expected to be substantially larger than those of the 1960-61 season.

Potatoes and Sweetpotatoes

Significantly more potatoes will be available this fall and winter than last. Indicated production in the 8 Eastern States, at 63 million hundredweight, and in the 9 Central States, at 45 million hundredweight, is about the same as last year. But prospective production of almost 85 million hundredweight in the 9 Western States is about a fourth larger than last year. Indicated acreage of potatoes for winter harvest, which provide only a small part of winter marketings, is slightly less than last winter.

Because of heavy supplies of potatoes during the summer, and low prices, especially in the Southeast, the Department of Agriculture operated a Section 32 program to purchase potatoes for distribution to eligible institutions. Through August 18 about 89 thousand hundredweight of potatoes were purchased under the program. As of the date of this publication no further purchases have been made. Most of the potatoes were bought in North Carolina and Virginia, but some purchases were made in Alabama, Delaware, and Maryland. Heavy production of fall crop potatoes is expected to keep markets in all major areas under considerable pressure. To help lessen the pressure of these large supplies, and encourage orderly marketing of the crop, the Department of Agriculture, on September 8, announced a potato diversion program. In areas which submit a satisfactory marketing plan, participating growers will receive supplemental government payments for U. S. No. 2 or better quality potatoes diverted to starch, flour, or livestock feed.

Production of sweetpotatoes is slightly smaller than 1960 and about a fifth below the 1950-59 average. During the fall and winter, prices both to growers and at retail may be above a year earlier.

Cotton

The carryover of cotton on August 1, 1962, is expected to be about 7.0 million bales, about 200,000 bales smaller than on August 1, 1961. This will be the smallest carryover since 1953 and less than half of the peak carryover in 1956 of 14.5 million bales.

Production of cotton in the United States in 1961 is estimated at about 14.2 million running bales (14.3 million bales of 500 pounds each), approximately 0.1 million smaller than a year earlier. The slight decline in production is occurring because of lower yield, down about 9 pounds from the 446 pound average yield per harvested acre of 1960. Although the average yield per harvested acre in the West is estimated at a record high, acreage in the West declined. Acreage in the Southeast and the Delta increased, but the yields per acre in these areas for 1961 are considerably smaller than the yields of 1960 because of less favorable growing conditions.

The 1961 crop is expected to be about 300,000 bales smaller than estimated disappearance. Because an additional 100,000 to 200,000 bales is added to supply by imports and the city crop, the carryover is expected to decline by only about 200,000 bales. Disappearance during the current season is estimated at about 14.5 million bales, roughly 400,000 bales smaller than disappearance during 1960-61, and about equal to the average annual disappearance of the past 5 seasons. Mill consumption is expected to be around 8-3/4 million bales compared with about 8.3 million bales in 1960-61; exports are expected to be about 850,000 bales smaller than the 6.6 million of last season*.

An increase in consumption in 1961-62 is indicated by a rising rate of mill consumption in recent months, lower levels of the stock-unfilled order ratio for cotton broadwoven goods since February, slight increases in the value of fabric, and an expected continued higher consumer income. The rate of mill consumption reached a low point in February 1961. Since then, the seasonally adjusted daily rate of consumption has been increasing. The ratio of stocks to unfilled orders for cotton broadwoven goods reached a peak in December 1960 and then declined for several months. For the past few months the seasonally adjusted ratio has been between 0.47 and 0.50. As compared with a high of 0.66 in December 1960. Fabric prices have increased at a rather slow rate. Because of the recent rise in cotton prices, mill margins have remained at very low levels.

The cotton equivalent of imports of cotton textiles in fiscal 1961 was close to 96,000 bales smaller than such imports in calendar 1960, about 429,200 and 525,500 bales, respectively.

In July, a tentative international agreement to be used in limiting international trade in textiles was developed at a conference in Geneva. The quantity of textiles imported in fiscal 1961 is to be used as the basis for developing limitations of textile imports in the coming year.

On September 1, the Tariff Commission recommended and on September 11, the President proclaimed an import quota of 1,000 pounds per annum for "cotton products produced in any stage preceding the spinning into yarn (chiefly cotton picker laps)." Imports of such products will be drastically reduced. Picker lap imports have increased to relatively large volumes over the past year or two, equivalent to about 58,000 bales of cotton in fiscal 1961.

Exports of U. S. cotton this year are expected to be somewhat smaller than last year, because the foreign free world is not expected to build up cotton stocks as it did last year. Production and consumption of cotton in the foreign free world is expected to be close to the levels of 1960-61. Also, Government financing of cotton exports during the current fiscal year does not appear to be as large as it was during the fiscal year ending June 30, 1961.

The average price for Middling 1-inch cotton at the 14 spot market during August 1961 was 33.11 cents per pound. This compares with the average support price at these markets of 33.34 cents per pound. Prices were close to the support level because the large quantity of stocks in commercial hands on August 1 reduced the immediate demand in 1961 crop cotton. On that date, CCC held only 1.5 million bales of cotton compared with about 5 million a year earlier. Stocks held in commercial hands were equivalent to about 5.7 million bales and compares with 2.6 million bales a year earlier. The increase in commercially held stocks resulted from an anticipated rise in the market price based on a rise in the support level for upland cotton. The loan rate of Middling 1-inch cotton at average location is 33.04 cents per pound compared with the minimum CCC sales price of 29.29 cents per pound during September 1960.

Tobacco

About three-fifths of the 1961 flue-cured crop was marketed by mid-September. Indications are that cash receipts to growers from this year's crop will be the largest on record.

The marketing season is finished in Georgia-Florida and auctions in the South Carolina-North Carolina Border Belt are nearing the close of their season. At the Georgia-Florida auctions the gross volume was about $4\frac{1}{2}$ percent greater than in 1960, and prices averaged a record 58.9 cents per pound--almost $4\frac{1}{2}$ percent higher than a year ago. In the Border Belt through mid-September, the volume of leaf sold was 12 percent ahead of the comparable 1960 sales period and prices averaged 65.4 cents per pound--7 percent above a year ago. Auctions are now in full swing in the Eastern North Carolina Belt and in the Middle Belt. Through mid-September prices in the Eastern Belt averaged $64\frac{1}{2}$ cents per pound, about 11 percent above a year earlier; prices in the Middle Belt averaged $65\frac{1}{2}$ cents per pound, 10 percent above a year earlier. Old Belt markets opened September 12 and prices for the first 4 days sales averaged 65.3 cents per pound, about 10 percent above the comparable period last year.

Thus far, about 2.9 percent of market deliveries have been placed under Government loan. In the 1960 season as a whole, 4 percent of the crop went under Government loan.

The 1961 crop is estimated as of September 1 at 1,260 million pounds, slightly larger than last year's outturn. Carryover on July 1, 1961, at 2,090 million pounds was nearly 1 percent lower than a year earlier. The 1961-62 total supply--carryover plus this year's crop--is only slightly less than for the 1960-61, but about a tenth below the peak of 5 years ago.

Cigarette output during the first half of 1961 was 4 percent ahead of output in the first half of 1960. Comparing the same periods, output of smoking tobacco rose by nearly 3 percent, output of chewing tobacco held about even, but output of snuff declined 4 percent. The shipments of cigars from the United States and Puerto Rican factories during the first half of 1961 were about 2 percent lower than in the comparable period of 1960.

Exports of unmanufactured tobacco during January-July 1961 were about a tenth above those in the comparable period of 1960. For calendar 1961 as a whole, however, exports may show a small decline from the 496 million pounds shipped out last year. In 1960, exports during the fourth quarter were unusually large.

As of September 1, burley production was indicated to be 523 million pounds--8 percent above last year's crop. The increase in size of the crop, however, will be more than offset by the anticipated decline in carryover stocks. The total burley supply for 1961-62 is expected to be about $1\frac{1}{2}$ percent less than for 1960-61.

Indications for other kinds of tobacco are that the 1961 production of all except cigar binder and cigar wrapper tobacco will be above last year. Adding expected carryovers, total 1961-62 supplies may be smaller than a year earlier for fire-cured, dark air-cured, and Connecticut Valley binder but larger for Maryland, continental cigar filler, Wisconsin binder, and cigar wrapper.

:
: The Demand and Price Situation is Published Monthly :
:
: * * * * :
:
: The next issue is scheduled for release :
: October 23, 1961 :
:



Growth Through Agricultural Progress

**U. S. Department of Agriculture
Washington 25, D. C .**

POSTAGE AND FEES PAID

OFFICIAL BUSINESS

NOTICE

If you no longer need this publication,
check here ☐ return this sheet,
and your name will be dropped from
the mailing list.

If your address should be changed,
write the new address on this sheet
and return the whole sheet to:

Division of Administrative Services (ML)
Management Operations Staff
Agricultural Economics
U. S. Department of Agriculture
Washington 25, D. C.

DPS-81 - The Demand and Price Situation